BRIEF IN SUPPORT OF PETITION.

I.

Opinions Below.

The opinion of the Circuit Court of Appeals is reported in 117 Fed. (2d) 636 and appears in the record at pages 592 to 595. Findings of Fact, Conclusions of Law and Decree of the United States District Court appear in the Record at pages 531 to 537.

II.

Jurisdiction.

The decree of the Circuit Court of Appeals was entered February 11, 1941 (R. 591), and petition for rehearing duly and seasonably filed by Appellee (R. 597 to 604) was denied on March 14, 1941 (R. 613). Jurisdiction is conferred upon this Court to review this case by Writ of Certiorari under Sec. 240 (a) of the Judicial Code as amended by the Act of February 13, 1925 (U. S. C. Tit. 28, Sec. 347).

III.

Statement of Case.

The principal facts have been summarized in the Petition, *supra*, pages 2 and 3. Such elaboration of the facts as are pertinent to the discussion will be indicated where appropriate.

IV.

Specification of Errors.

The United States Circuit Court of Appeals for the Seventh Circuit erred as follows:

(1) In reversing the decree of the United States District Court for the Southern District of Illinois, Northern Division.

(2) In adopting and applying the doctrine of *Davis* v. *Schwartz,* 155 U. S. 631, and holding that the District Court could not reject the Special Master's findings of fact unless they are clearly erroneous.

(3) In rejecting the District Court's finding of facts on material issues where the Special Master failed to make such findings that Petitioner had established its right to the use of trade name "Arrow" as a technical trade-mark.

(4) In applying the doctrine of *Davis* v. *Schwartz, supra,* in the instant case where the consent given and the order of reference was conditioned by the terms of the order itself which limited the functions of the Master to "find the facts and make his conclusions of law for the purpose of aiding the Court".

(5) In failing to apply the doctrine that the right to the exclusive use of a trade-mark is limited to an actual use of the trade-mark as distinguished from mere adoption thereof.

(6) In holding Petitioner guilty of unfair competition.

V.

Argument.

(A) The Circuit Court of Appeals Erroneously Applied the Rule Established in Davis v. Schwartz, 155 U. S. 631, to the Instant Case. By the Order of Reference the Conclusiveness Ordinarily Applied to the Master's Findings Was Distinctly Reserved to the District Court (R. 50, 51).

The Order of Reference in the instant case referring the proceedings to the Special Master reads as follows:

> "That the above entitled cause is hereby referred to William H. Moore, an attorney of Peoria, Illinois, as Special Master to hear the parties and to take testimony herein and the interrogatories and the answers thereto and to report his findings of fact and the conclusions of law thereon to the Court. *Nothing herein contained, however, shall be construed as meaning that the Special Master's findings of fact or conclusions of law shall be final but only that he shall find the facts and make his conclusions of law for the purpose of aiding the Court, and any party to this suit shall have the right to a review and a determination by the Court upon the evidence reported by the Special Master.*" (Emphasis supplied.)

By reason of this Order of Reference when Petitioner filed its objections to the Master's report (R. 523 to 530), it became the duty of the District Court to determine the issues upon the evidence reported by the Master.

The District Court having performed the duty charged to it in the Order of Reference, it is the findings of the District Court which are presumptively correct and should not be disturbed unless clearly erroneous. Federal Rule of Civil Procedure 52 (a), 28 U. S. C. A. following Section 723(c).

In *Denver* v. *Denver Union Water Co.*, 246 U. S. 178, the District Court, by consent of parties, appointed a Special Master, "with all of the powers conferred upon the master under the rules of practice for the courts of equity of the United States, and subject to the further orders of this Court, * * * for the purpose of taking all testimony in the suit and reporting to the Court said testimony, his findings of fact and such conclusions of law as he may deem essential to the proper advisement of the Court".

This Court, speaking through Mr. Justice Pitney, held (page 182):

> "In the present case, the consent given to the order of reference *was conditioned by the terms of the order itself*, which as we have seen, limited the functions of the master to the taking of testimony and reporting it to the Court, together with his findings of fact and conclusions of law *for the advisement of the Court.*" (Emphasis supplied.)

This Court in *Denver* v. *Denver Union Water Co., supra*, distinguishes the case of *Davis* v. *Schwartz*, 155 U. S. 631, saying on pages 181, 182:

> "In the former case (*Kimberly* v. *Arms*, 129 U. S. 512) the reference, made by consent of the parties, authorized the master to hear the evidence and decide all the issues between them, and it was because of this that the court held that the findings were not merely advisory, as in the ordinary case, but were to be taken as presumptively correct, 'subject, indeed, to be reviewed under the reservation contained in the consent and order of the Court, when there has been manifest error in the consideration given to the evidence, or, in the application of the law, but not otherwise'; and that the findings ought to have been treated as so far correct and binding as not to be disturbed unless clearly in conflict with the weight of the evidence upon which they were made. *Davis* v. *Schwartz* IS TO THE SAME EFFECT."

It is respectfully submitted that a comparison of the Order of Reference in the instant case with the Order of

Reference in the case of *Denver* v. *Denver Union Water Co., supra,* must draw the positive conclusion that the instant case presents a strong and clear case for the application of the rule established by this Honorable Court in the Denver case, and it necessarily follows that the rule established in *Davis* v. *Schwartz, supra,* is clearly distinguishable and has no application whatsoever to the instant case in view of the language of the Order of Reference.

By the rule established in *Denver* v. *Denver Union Water Co., supra,* THE ORDER OF REFERENCE DETERMINED THE RIGHTS OF THE PARTIES AND BECAME THE LAW OF THE CASE AND IS BINDING UPON THE PARTIES AND THE COURTS IN ALL SUBSEQUENT PROCEEDINGS.

The peculiar language of the Order of Reference in the instant case gave to either of the litigants the right to petition the District Court for the District Court's own determination upon the evidence reported by the Master. The Petitioner by filing its objections to the Master's Report took advantage of its right given to it by the Order of Reference. The Master having failed to perform the duty charged to him in the Order of Reference when he made his advisory findings, it became the duty of the District Court to find the facts and law and these findings are presumptively correct, and the Circuit Court of Appeals should not have disturbed them in the absence of "Manifest Error".

We respectfully submit that the Circuit Court of Appeals should have applied in the instant case the doctrine as established by this Honorable Court in *Denver* v. *Denver Union Water Co., supra,* instead of applying the rule of *Davis* v. *Schwartz, supra.* To the same effect see:

2nd Circuit:

In Re Michel, 56 Fed. (2d) 15.

Syracuse Engineering Co. v. *Haight,* 110 F. (2d) 468.

4th Circuit:
Wilson v. *Hall,* 81 Fed. (2d) 918.

6th Circuit:
Hovarth v. *McCord Rad. & Mfg. Co.,* 100 Fed. (2d) 326.

8th Circuit:
Small, et al. v. *Kiel,* 101 Fed. (2d) 444.

7th Circuit:
In Re Duvall, 103 Fed. (2d) 653.

Also see:
Morimura, Arai & Co. v. *Taback,* 279 U. S. 24.

(B) Where the Master's Findings Does Not Depend Upon the Weighing of Conflicting Testimony or Credibility of Witnesses It Does Not Have the Weight Ordinarily Attaching to the Conclusions of the Master Upon Conflicting Evidence.

Finding number 7 of the District Court (R. 532-533) reads in part as follows:

> "Robert Silberstein and Harry A. Frankel, who afterwards became President and Secretary, and principal stockholders of Arrow Distilleries, Inc., an Illinois corporation, on June 27, 1933, entered into a partnership agreement for the purpose of rectifying, bottling, dealing in and selling whiskey and alcoholic beverages, under the firm name and style of 'Arrow Distilleries Company'; * * * that, thereafter, on or about the 23rd day of November, 1933, the said co-partnership assigned to 'Arrow Distilleries, Inc.' the assets, firm name and good will of said co-partnership."

Finding number 8 of the District Court (R. 533) reads in part as follows:

> "That said partnership formed by Silberstein and Frankel maintained an office in the Lehmann Building

> in Peoria, Illinois, with its name 'Arrow Distilleries Company' on the door * * *".
>
> Ben Weinstein, Sales Manager of Petitioner Company, testified (R. 100) when called by Respondent as an adverse witness "that he first started his activities in preparation for that (Petitioner's) corporation in June 1933."

The original partnership agreement was introduced into evidence. (Def. Ex. 667, R. 497.)

Notwithstanding the fact that the testimony of Weinstein was undisputed and that the parts of the District Court's findings numbers 7 and 8 above quoted was supported by clear, substantial and UNDISPUTED evidence the Master found contrary and held that there was no property rights in the name prior to September 15, 1933.

Therefore, the specific finding by the Master that there was no property rights in the name "Arrow Distilleries, Inc." prior to September 15, 1933, manifestly did not depend upon the weighing of conflciting testimony or the credibility of witnesses but upon his own opinion. For this reason, if for no other, it does not have the weight ordinarily attaching to the conclusions of a Master upon conflicting evidence and it was clearly due to error or mistake. *Tilghman* v. *Proctor,* 125 U. S. 136, 149, 31 L. Ed. 664, 668; *Morimura, Aria & Co.* v. *Taback,* 279 U. S. 24, 33, 73 L. Ed. 586, 600.

It necessarily follows that Rule 53 (e) (2) of Federal Rule of Civil Procedure, which provides, that in an action to be tried without a jury the Court shall accept the Master's findings of fact unless they are clearly erroneous, does not apply to the instant case where undisputed facts were presented and the District Court in following the doctrine laid down in *Tilghman* v. *Proctor, supra,* did not err in rejecting the Master's finding of fact and the Circuit Court of Appeals erred in failing to apply this rule.

The District Court having performed the duty reserved

to it in the Order of Reference, it is the findings of the District Court which are presumptively correct and the Circuit Court of Appeals should not have disturbed them in the absence of "Manifest Error". Federal Rule of Civil Procedure, 52 (a), 28 U. S. C. A. following Section 723 (c); *In Re Duvall,* 7th Cir., 103 Fed. (2d) 653; *Webb* v. *Frisch,* 7th Cir., 111 Fed. (2d) 887, 888; *Syracuse Engineering Co.* v. *Haight,* 2nd Cir., 110 Fed. (2d) 468, 470; *United Drug Co.* v. *Obear-Nestor Glass Co.,* 8th Cir., 111 Fed. (2d) 997, 999; *In Re Michel,* 2nd Cir. 56 Fed. (2d) 15; *Wilson* v. *Hall,* 4th Cir., 81 Fed. (2d) 918, 919.

(C) Incorporation of a Company Under a Corporate Name Confers No Right to Said Name or the Dominant Portion Thereof Without User Thereof and Does Not Vest Property Rights in Incorporator as Against a Prior Organization Whether Incorporated or Not and Using the Same Name. The Foundation of a Trade-Mark or Trade Name is Priority of Adoption and Actual Use in Trade.

In the case of *National Circle, Daughters of Isabella* v. *National Order, Daughters of Isabella,* 270 Fed. 723 (C. C. A. 2) the facts are that the defendant was incorporated on June 24, 1903, under the name "Daughters of Isabella" in the State of New York. The plaintiff corporation was incorporated on March 7, 1904, under the laws of the State of Connecticut and under the name "Daughters of Isabella". The evidence showed that the plaintiff corporation was organized by members of a voluntary association which was first organized in May, 1897, and which first used the name "Daughters of Isabella" in 1901. Upon its incorporation on March 7, 1904, it adopted the same constitution, used the same ceremonies, and continued to carry out the plans and purposes of the original voluntary

association and to be known by the name of "Daughters of Isabella". The Court said (page 731):

> "Importance cannot be attached to the fact that the defendant was incorporated first. The mere incorporation of an organization under a particular name does not add anything to its right to use the name as against another organization unincorporated and already using the same or a similar name."

To the same effect see: *American Foundries* v. *Robertson*, 269 U. S. 372, 380; *Holland Furnace Co.* v. *New Holland Machinery Co.*, 24 Fed. (2d) 751; *France Milling Co.* v. *Washburn Crosby*, 7 Fed. (2d) 304.

So in the instant case, while the Respondent was incorporated September 15, 1933, and the Petitioner was incorporated November 18, 1933, the Petitioner succeeded to the rights by assignment (R. 198) of it from the copartnership made up of Robert Silberstein and Harry A. Frankel, which did business under the firm name and style of "Arrow Distilleries Company" which had been organized June 27, 1933, for the purpose of conducting the same class of business as Petitioner. It is respectfully submitted that under such assignment the rights of the Petitioner attached at the time of the formation of the partnership on June 27, 1933. *United Drug Co.* v. *Rectanus Co.*, 248 U. S. 90; *Brown Chemical Co.* v. *Meyer*, 139 U. S. 540; *Peck Bros. Co.* v. *Peck*, 7th Cir. 113 Fed. 291.

Repeal of National Prohibition became effective December 5, 1933 (21st Amendment to the Constitution*). That was the first day upon which either the Petitioner or Respondent could legally sell alcoholic liquor in intra or inter state business notwithstanding the fact that both litigants had been making preparations for the start of business for some time prior to the Repeal date.

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* The 21st Amendment which became effective on December 5, 1933, reads in its pertinent provisions as follows:

> "SECTION 1. The 18th Article of Amendment to the Constitution of the United States is hereby repealed."

If the Court does not consider as important or material the activities of either litigant prior to December 5, 1933, and if the Court gives neither of the litigants advantages of their acts prior to December 5, 1933, your Petitioner is still entitled to prevail because it established its technical trade-mark use long prior to the use of Respondent.

The evidence is undisputed and admitted by Respondent that the first shipment of alcoholic beverages made by Respondent Company was on February 21, 1934. (R. 59, 64, 110, 119.)

Petitioner on December 5, 1933, and continously thereafter, long before Respondent made its first shipment of alcoholic beverages, purchased and received large quantities of whiskey, gin, alcohol and cordials. (Def. Ex. 165 to 237 inc., R. 169, 170, 171, 173 to 179 inc.) Petitioner on December 5, 1933, and thereafter, labeled bottles of alcoholic liquors with its corporate name "Arrow Distilleries, Inc." and brand name "Arrow" (Def. Ex. 239, 499, 500, 501, 502, 669, 670, 671; R. 85, 164, 200, 207, 244, 277, 278, 330, 331, 332, 409, 410, 423, 424, 462, 472) and shipped them out to actual customers from whom it had taken orders before that day. (Def. Ex. 21 to 29 inc., 31, 34, 34A, 36 to 40 inc., 302 to 313 inc., 240 to 301 inc., 314 to 440 inc., R. 183, 184.) The evidence clearly shows that from December 5, 1933, until the time of the filing of this suit the Petitioner continually made sales of all types of alcoholic beverages under the trade-mark "Arrow" and the corporate name "Arrow Distilleries, Inc." and that Petitioners business grew from a total of $25,303.68 in 1933 to the sum of $2,167,727.73 for the year 1935, the year immediately preceding the filing of this suit. (R. 317, 318.)

(D) Petitioner Having First Adopted and Used Corporate Name "Arrow Distilleries, Inc." and Trade-Mark "Arrow" on Alcoholic Liquors, It Acquired the Prior and Exclusive Right to Their Use on Goods of the Same Descriptive Properties.

As shown above Petitioner was the first to make shipments of alcoholic liquors under both the trade-mark "Arrow" and the corporate name "Arrow Distilleries, Inc." Rights in a trade-mark or trade name are based upon priority of adoption and use. The one who first employs a trade-mark or trade name in connection with a particular class of goods acquires the prior and exclusive right to use it in connection with that class of goods.

In the case of *Columbia Mills Co.* v. *Alcorn*, 150 U. S. 460, 37 L. Ed. 1144-1146, this Court said:

> "The exclusive right to the use of a mark or device claimed as a trade-mark, is found on priority of appropriation; that is to say, the claimant of a trade-mark must have been the *first to use or employ the same on like articles of production.*" (Emphasis supplied.)

In *"The Trade Mark Cases,"* 100 U. S. 82, 25 L. Ed. 550-552, this Court said:

> "At common law the exclusive right to it grows out of the use of it, and not its mere adoption. By the Acts of Congress this exclusive right attaches upon registration. But in neither case does it depend upon novelty, upon invention, upon discovery or upon any work of the brain. It requires no fancy or imagination, no genius, no laborious thought. It is simply founded on priority of appropriation. We look in vain in the Statute for any other qualification or condition."

In the case of *Walter Baker & Co.* v. *Delapenha*, 160 Fed. 746, 749 (C. C. A. 3) the Court said:

> "Nor does the fact that the Complainant adopted and used its trade-marks but a short time before the defendants imported and sold goods bearing like

trade-marks, alter the situation. *The complainant's rights accrued as soon as it had put goods upon the market bearing its trade-marks. Priority of use rather than priority of invention confers the rights.* The right to use does not depend upon any particular period of user; once a trade-mark is adopted in good faith and used, the right thereto inures and will prevail against any subsequent user." (Emphasis supplied.)

See also, *United Drug Co.* v. *Rectanus,* 248 U. S. 90; *American Washboard Co.* v. *Saginaw Manufacturing Co.,* 6th Cir., 103 Fed. 281, 287; *George* v. *Smith,* 52 Fed. 830; *Delaware & Hudson Canal Co.* v. *Clark,* 13 Wall. 311, 20 L. Ed. 581; *McLean* v. *Fleming,* 96 U. S. 245, 24 L. Ed. 828; *Hanover Star Milling Co.* v. *Metcalf,* 240 U. S. 403, 60 L. Ed. 713; *Continental Corp.* v. *National Union Radio Corp.,* 67 Fed. (2d) 938 (C. C. A. 7).

It is respectfully submitted that in view of the undisputed evidence in this case that the opinion of the Circuit Court of Appeals is in conflict with and ignores the authorities cited and that the Circuit Court of Appeals erred in not holding that Petitioner had established a prior technical trade-mark use of the name "Arrow". It is further submitted that the bare incorporation by Respondent could not defeat the technical trade-mark so established by Petitioner.

(E) Where the Master Fails to Make a Fact Finding on a Material Issue But the Facts Appear in the Evidence as Reported by Him, It Was the Duty of the District Court Under the Order of Reference to Make the Findings Without a Re-reference, and Enter Its Conclusions of Law Thereon and Enter Such Decree as Was Equitable in the Premises.

Finding number 9 of the District Court's Finding of Facts (R. 533) reads in part as follows:

"* * * That on December 5, 1933, defendant (Petitioner here) obtained from the Treasury Department

the necessary Tax Stamps to enable it to legally conduct its business of selling alcoholic liquors; that on December 5, 1933, it bought and sold and delivered alcoholic liquors, and that such liquors going out of said plant had labels on the bottles containing the same, reading in two places, front and back 'Arrow Distilleries, Inc.' That all its bottles containing alcoholic liquors sold from that day until the date of the filing of this suit, had 'Arrow Distilleries, Inc., Peoria, Illinois,' upon them; that some bore the brand name 'Arrow', some bore a traget with an arrow piercing it, and others bore a ribbon seal with a large letter 'A' and the word 'Arrow' beneath it; that on December 6, 1933, and continuously thereafter, defendant made like shipments of alcoholic beverages in interstate commerce."

The evidence in support of Finding No. 9 of the District Court was all in the record as reported by the Master to the District Court. The Master made no finding whatsoever on any of the material issues contained in Finding No. 9 of the District Court. Under such circumstances it became the duty, by reason of the Order of Reference, of the District Court to make findings of fact on such issues upon which the Master neglected to find.

The case of *Hovarth* v. *McCord Radiator & Mfg. Co.*, 6th Cir., 100 Fed. (2d) 326 (Certiorari denied, 60 Sup. Ct. 101), was a patent infringement case which was referred to a Master to take the evidence and report his conclusions of law and fact. The Court on page 333 said:

> "The report of the Master made no specific findings of fact with reference to the precise issues raised by the parties."

The Court then enumerated four separate issues on which the Master failed to report saying (pages 332 and 333):

> "The findings of a Master or the District Court are presumptively correct and cannot be assailed unless an examination of the record shows that the Master or the lower Court made no specific findings of fact in reference to the precise issues.

> • • • The Masters report is merely *an expression of an opinion* as to what he believed should be the award to Hovarth and falls clearly within the rule of condemnation of a Master's finding laid down by the Supreme Court in the case of *Morimura, Arai & Co.* v. *Taback,* 279 U. S. 24, 34; 49 S. Ct. 212; 73 L. Ed. 586, and should be disregarded.
>
> The error of procedure, however, does not necessitate sending the case back to the District Court. It has been pending more than ten years and should be decided. The issues were fully heard before the Master and all evidence tendered by the parties was admitted. The exceptions taken to his findings raise no serious question of fact and we have before us in the record the evidence and all other materials necessary for judgment. The district court made no findings of fact but adopted the report of the Master. Therefore, we proceed to do what the district court should have done, namely, consider the report, pass upon the exceptions and make such decree as is equitable in the premises • • •."

In *Morimura, Arai & Co.* v. *Taback,* 279 U. S. 24, 34, this Court said:

> "In the Master's report—which is set forth in the margin—he made no specific finding of fact in reference to the precise issues, but without citing any testimony or giving his reason, stated generally that he believed the statement was 'substantially correct'. The District Judge—after referring to the vagueness and generality of this report—stated that obviously the statement was false and was made for the purpose of obtaining credit. The Circuit Court of Appeals—after referring to the fact that the Master saw and heard all the witnesses—without determining whether or not the statement was correct, stated that they were not satisfied that a 'consciously false financial statement was made for the purpose of obtaining credit.'
>
> As there is no concurrent finding on any of the material issues relative to the written statement, we have examined the evidence at length for the purpose of determining the essential facts."

To the same effect see:

Denver v. *Denver Union Water Co.*, 246 U. S. 178.
Clark v. *Schieble Toy & Novelty Co.*, 6th Cir., 248 F. 276, 282.
Witters v. *Sowles*, 43 Fed. 405.
Wilson v. *Hall*, 4th Cir., 81 Fed. (2d) 918.
In Re Michel, 2nd Cir., 56 Fed. (2d) 15.
Carpenter, Balson & Fendler v. *Condor Pictures*, 9th Cir., 110 Fed. (2d) 317.

So in the instant case, the Master having failed to make findings of fact in reference to the technical trade-mark rights of Petitioner, it became the duty of the District Court to make such findings and to then proceed to "make such decree as was equitable in the premises".

The District Court having performed the duty of the Master it is the findings of the District Court which are presumptively correct and the Court of Appeals erred in reversing the District Court. Federal Rule of Civil Procedure 52 (a) 28 U. S. C. A. following Section 723-C.

(F) Where There Is No Concurrent Finding on Material Issues and Where the Findings of the District Court and of the Circuit Court of Appeals Are Diametrically Conflicting, This Court Should Examine the Evidence at Length for the Purpose of Determining the Facts.

A comparison of the Opinion of the Circuit Court of Appeals with the Findings and decree of the District Court will show that they are hopelessly irreconcilable.

In *Morimura, Aria & Co.* v. *Taback, supra*, this Court said:

> "As there is no concurrent finding on any of the material issues relating to the written statement, we have examined the evidence at length for the purpose of determining the essential facts."

It is respectfully submitted that the instant case presents a proper case for the application of the doctrine of this Court as stated in the Morimura case and this Honorable Court should examine the evidence at length "for the purpose of determining the essential facts".

Conclusion.

It is believed that the foregoing discussion demonstrates that the decision of the Court below is contrary to the pertinent principles of law established by the decisions of this Court and the Circuit Courts of Appeal in other Circuits. It is earnestly urged, for the foregoing reason, that this Court entertain a review of this case on Writ of Certiorari, and we submit, therefore, that the Petition should be granted.

Respectfully submitted,

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